



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARDIN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARDIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Hardin County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Emphasis Statements:

In the prior year audit, Hardin County Fiscal Court financial statement assets and liabilities were understated. The understatement of assets consisted of \$10 million in bond issuance proceeds received by the Hardin County Building Commission and \$3,559,155 in nonexpendable trust assets. The total 1999 bond issuance in the amount of \$15.4 million was omitted from the prior year liabilities. The beginning balances are restated to reflect the correct amounts.

There has been a \$423,187 decline in market value from June 30, 2000 to March 31, 2001 in Hardin County's nonexpendable trust funds.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$22,760,000. Future collections of \$35,153,558 are needed over the next 19 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$583,220 as of June 30, 2000. Future principal and interest payments of \$684,432 are needed to meet these obligations.

Report Comments:

- The Hardin County Fiscal Court Prior Year Audit Was Materially Misstated
- The Hardin County Fiscal Court Should Provide Additional Oversight Over Their Trusts
- The Hardin County Building Commission Should Have Financial Statements In Addition to Bank Records
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Glen D. Dalton, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Hardin County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types, the combined statement of revenues, expenses, and changes in retained earnings - all nonexpendable trust funds, and the combined statement of cash flows - all nonexpendable trust funds for the year then ended. These financial statements are the responsibility of the Hardin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hardin County Planning and Development Commission, and Hardin Memorial Hospital. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the Hardin County Planning and Development Commission, and Hardin Memorial Hospital is based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Hardin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All funds used modified cash basis except the nonexpendable trust fund.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Glen D. Dalton, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2000 of Hardin County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the basis of accounting described above.

In the prior year audit, Hardin County Fiscal Court financial statement assets and liabilities were understated. The understatement of assets consisted of \$10 million in bond issuance proceeds received by the Hardin County Building Commission and \$3,559,155 in nonexpendable trust assets. The total 1999 bond issuance in the amount of \$15.4 million was omitted from the prior year liabilities. The beginning balances are restated to reflect the correct amounts.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2001 on our consideration of Hardin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hardin County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Hardin County Fiscal Court Prior Year Audit Was Materially Misstated
- The Hardin County Fiscal Court Should Provide Additional Oversight Over Their Trusts
- The Hardin County Building Commission Should Have Financial Statements In Addition to Bank Records
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 15, 2001

HARDIN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Glen D. Dalton	County Judge/Executive
Bill Brandenburg	Magistrate
Terry Jenkins	Magistrate
Bobby Williams	Magistrate
Charles Ashley	Magistrate
Roy Easter	Magistrate
Doug Goodman	Magistrate
Phillip Crady	Magistrate
Mel Irwin	Magistrate

Other Elected Officials:

Ken Howard	County Attorney
Louis Lawson	Jailer
Kenny Tabb	County Clerk
Ralph Baskett	Circuit Court Clerk
Bobby Thomas	Sheriff
Teri Bennett	Property Valuation Administrator
William Lee	Coroner

Appointed Personnel:

Margie R. Oliver	County Treasurer
Sue Wise	Deputy Judge/Executive
Carolyn K. Ritchie	Payroll Officer
Susan Masters	Payroll Officer
John Blackburn	Road Supervisor
Louis Lawson	911 Administrator
Jenny Lawson	Jail Bookkeeper
Bob Hall	Solid Waste Coordinator

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

HARDIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2000

<u>Assets and Other Resources</u>	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Total Memorandum Only</u>
<u>Assets</u>	<u>General</u>	<u>Capital Projects</u>	<u>Self Insurance</u>	<u>Non- Expendable Trust</u>	
Cash and Cash Equivalents	\$ 9,602,119	\$ 1,921,592	\$ 63,366	\$	\$ 11,587,077
Cash Equivalents- Non Expendable Trust				36,730	36,730
Restricted Cash- Withholding Tax Account	17,241				17,241
Social Security Account	3,514				3,514
Bonds				132,842	132,842
Mutual Funds - Fixed				1,489,006	1,489,006
Mutual Funds - Equity				404,292	404,292
Common Stock				1,582,531	1,582,531
Total Assets	\$ 9,622,874	\$ 1,921,592	\$ 63,366	\$ 3,645,401	15,253,233
<u>Other Resources</u>					
Amounts to be Provided For					
In Future Years:					
Municipal Solid Waste Landfill-					
Closure Cost	\$ 5,696,976	\$	\$	\$	\$ 5,696,976
Postclosure Cost	1,121,527				1,121,527
Capital Lease	583,220				583,220
Bond Payments	22,760,000				22,760,000
Total Other Resources	\$ 30,161,723	\$ 0	\$ 0	\$ 0	\$ 30,161,723
Total Assets and Other Resources	<u>\$ 39,784,597</u>	<u>\$ 1,921,592</u>	<u>\$ 63,366</u>	<u>\$ 3,645,401</u>	<u>\$ 45,414,956</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

	Governmental Fund Types		Fiduciary Fund Types		Total Memorandum Only
	General	Capital Projects	Self Insurance	Non- Expendable Trust	
<u>Liabilities and Equity</u>					
<u>Liabilities</u>					
Municipal Solid Waste Landfill-					
Closure Cost	\$ 5,696,976	\$	\$	\$	\$ 5,696,976
Postclosure Cost	1,121,527				1,121,527
Capital Lease	583,220				583,220
Bonds:					
Series 1994	6,365,000				6,365,000
Series 1995	1,500,000				1,500,000
Series 1999	14,895,000				14,895,000
Total Liabilities	\$ 30,161,723	\$ 0	\$ 0	\$ 0	\$ 30,161,723
<u>Equity</u>					
Retained Earnings:					
Restricted	\$	\$	\$	\$ 804,526	\$ 804,526
Unrestricted				2,840,875	2,840,875
Fund Balances:					
Reserved	20,755		63,366		84,121
Unreserved	9,602,119	1,921,592			11,523,711
Total Equity	\$ 9,622,874	\$ 1,921,592	\$ 63,366	\$ 3,645,401	\$ 15,253,233
Total Liabilities and Equity	\$ 39,784,597	\$ 1,921,592	\$ 63,366	\$ 3,645,401	\$ 45,414,956

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – ALL GOVERNMENTAL FUND TYPES

HARDIN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 13,859,317	\$ 9,173,030	\$ 1,679,012	\$ 2,911,547
Building Commission Fund Receipts	646,757			
Transfers In	5,272,142	2,001,465	400,000	1,000,000
Library Fund Receipts	128,930			
Total Cash Receipts	<u>\$ 19,907,146</u>	<u>\$ 11,174,495</u>	<u>\$ 2,079,012</u>	<u>\$ 3,911,547</u>
<u>Cash Disbursements</u>				
Schedule of Final Budget and Budgeted Expenditures	\$ 11,431,701	\$ 5,520,673	\$ 2,103,608	\$ 3,717,692
Schedule of Library Fund Expenditures	489,867			
Transfers Out	5,272,142	2,997,235		273,442
Building Commission Fund Expenditures:				
Bonds - Principal Paid:				
1994 Bonds	250,000			
1995 Bonds	60,000			
1999 Bonds	505,000			
Interest Paid	1,528,060			
Cash Management Fee	23,073			
Premium on Treasury Note	14,893			
Cost of Issuance	38,607			
Construction Costs	491,382			
HDPE liner	557,585			
Professional Fees	28,894			
Borrowed Money Repaid	11,597,706	176,482		
Principal Paid on Capital Lease	131,171	125,171		
Transfer to Planning and Development	110,000	110,000		
Total Cash Disbursements	<u>\$ 32,530,081</u>	<u>\$ 8,929,561</u>	<u>\$ 2,103,608</u>	<u>\$ 3,991,134</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (12,622,935)	\$ 2,244,934	\$ (24,596)	\$ (79,587)
Cash Balance - July 1, 1999	<u>24,146,646</u>	<u>7,170,721</u>	<u>93,808</u>	<u>93,290</u>
Cash Balance - June 30, 2000	<u>\$ 11,523,711</u>	<u>\$ 9,415,655</u>	<u>\$ 69,212</u>	<u>\$ 13,703</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types			Capital Projects Fund Type
Local Government Economic Assistance Fund	Emergency Shelter Fund	Library Fund	Hardin County Building Commission Fund
\$ 82,365	\$ 13,363	\$	\$
		377,690	646,757
		128,930	1,492,987
\$ 82,365	\$ 13,363	\$ 506,620	\$ 2,139,744
\$ 82,365	\$ 7,363	\$ 489,867	\$
			2,001,465
			250,000
			60,000
			505,000
			1,528,060
			23,073
			14,893
			38,607
			491,382
			557,585
			28,894
			11,421,224
	6,000		
\$ 82,365	\$ 13,363	\$ 489,867	\$ 16,920,183
\$	\$	\$ 16,753	\$ (14,780,439)
		86,796	16,702,031
\$	\$	\$ 103,549	\$ 1,921,592

The accompanying notes are an integral part of the financial statements.

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COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL NONEXPENDABLE TRUST FUNDS

HARDIN COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000

	Fiduciary Fund Type
Operating Revenues:	
Dividends	\$ 129,232
Interest	<u>56,583</u>
Total Operating Revenues	<u>\$ 185,815</u>
Operating Expenses:	
Commissions and Fees	\$ 7,988
Tax	107
Tax Preparation	425
Accrued Interest Paid	<u>4,614</u>
Total Operating Expenses	<u>\$ 13,134</u>
Income Before Nonoperating Revenues (Expenses)	<u>\$ 172,681</u>
Nonoperating Revenues (Expenses):	
Transfer to Fiscal Court	\$ (115,596)
Transfer to Library	(5,496)
Unrealized (Loss) on Investments	(323,858)
Gain on Sale of Investments	<u>358,515</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (86,435)</u>
Net Income	\$ 86,246
Retained Earnings - July 1, 1999	<u>3,559,155</u>
Retained Earnings - June 30, 2000	<u><u>\$ 3,645,401</u></u>

The accompanying notes are an integral part of the financial statements.

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COMBINED STATEMENT OF CASH FLOWS -
ALL NONEXPENDABLE TRUST FUNDS

HARDIN COUNTY
COMBINED STATEMENT OF CASH FLOWS -
ALL NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000

	Fiduciary Fund Type
Cash Flows From Operating Activities:	
Commissions and Fees	\$ (7,988)
Tax Preparation	(425)
Interest	56,583
Dividends	129,232
Tax	(107)
Accrued Interest Paid	(4,614)
	<hr/>
Net Cash Provided by Operating Activities	\$ 172,681
	<hr/>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers-Out to General Fund	\$ (115,596)
Operating Transfers-Out to Library Fund	(5,496)
	<hr/>
Net Cash (Used) by Noncapital Financing Activities	\$ (121,092)
	<hr/>
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	\$ 2,301,022
Cost of Assets Purchased	(2,398,852)
	<hr/>
Net Cash (Used) by Investing Activities	\$ (97,830)
	<hr/>
Net Cash (Decrease)	\$ (46,241)
Cash and Cash Equivalents - July 1, 1999	82,971
	<hr/>
Cash and Cash Equivalents - June 30, 2000	\$ 36,730
	<hr/>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Net Income	\$ 86,246
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Gain on sale of investments	\$ (358,515)
Unrealized Loss on Investments	323,858
Transfer to Fiscal Court	115,596
Transfer to Library	5,496
	<hr/>
Total Adjustments	86,435
	<hr/>
Net Cash Provided by Operating Activities	\$ 172,681
	<hr/>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hardin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Hardin County Public Library (Library Fund) and the Hardin County Building Commission Fund as part of the reporting entity. Management has also included the Hardin County Planning and Development Commission, and Hardin Memorial Hospital as part of the reporting entity. These entities were audited by other auditors whose reports are included in Appendices B and C.

Included Within The Reporting Entity:

Hardin County Public Library

Based on KRS 173.310 the Library is not a legally separate entity from the Hardin County Fiscal Court. The Library can not be sued in its own name without recourse to the fiscal court and does not have the right to buy, sell, lease, or mortgage property in its own name. This component unit is blended within the financial statements.

Hardin County Building Commission

The Commission cannot be sued in its own name without recourse to Hardin County Fiscal Court who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will. The Commission is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. Fiscal Court has all access to resources, is legally obligated to finance the deficits of or provide financial support to the Commission. The Commission is financially accountable to the Fiscal Court. This component unit is blended within the financial statements.

Hardin County Planning and Development Commission

The Commission is financially accountable to the Fiscal Court. The Court appoints the voting majority to the Commission and is able to impose its will on the Commission. A copy of the audit report for fiscal year ending June 30, 2000 is discretely presented at Appendix B.

Hardin Memorial Hospital

The hospital is operated as an unincorporated unit of the Hardin County Fiscal Court. The hospital is owned by Hardin County Fiscal Court. A copy of the audit report for fiscal year ending June 30, 2000 is discretely presented at Appendix B.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Additional - Hardin County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hardin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hardin County Fiscal Court's Fund Types, a definition of each and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hardin County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Emergency Shelter Fund, and the Library Fund.

2) Capital Projects Fund Type

Capital Project Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Hardin County Building Commission of the Fiscal Court is reported as a Capital Projects Fund Type.

3) Fiduciary Fund Type

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3) Fiduciary Fund Type (Continued)

Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Nonexpendable Trust Fund Type accounts for revenue expended to carry out the objectives of the trust and for the corpus (principal) of the trust, which must be maintained intact. The Hardin County Nonexpendable Trust Fund includes the following: Fife Fund, Pauline Walker and Powell Duff Fund and Pauline Walker and Powell Duff Trust.

C. Basis of Accounting

For all fund types except the nonexpendable trust the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

Under an accrual basis of accounting, applied within the nonexpendable trust fund type, revenues are recognized in the period earned and expenses are recognized in the period incurred in the process of generating revenues. Investments within the nonexpendable trust are stated at fair market value. Fair market value is the amount at which an investment could be exchanged in a current transaction between willing parties. If fair market value is greater than or less than the carrying value it creates an unrealized gain or loss on investments.

D. Legal Compliance - Budget

The Hardin County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Capital Projects Fund because bond indentures and other relevant contractual provisions issued for the capital projects require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted. Formal budgets are not adopted for the nonexpendable trust funds because the trust agreements do not require these funds to be budgeted.

HARDIN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost except in the nonexpendable trust fund where investments are stated at fair market value. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hardin County Fiscal Court:

Hardin County Soil Conservation District	Elizabethtown City School District
Hardin County Health Department	West Point School District
Hardin County School District	Hardin County Extension Service
City of Upton	City of Sonora
City of West Point	Hardin County Water District #1
	Hardin County Water District #2

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county's depository institutions had securities pledged on behalf of the county. However, as of August 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$627,417 of public funds uninsured and unsecured.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 8,043,176
Uncollateralized and uninsured	<u>655,784</u>
Total	<u><u>\$ 8,698,960</u></u>

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured but registered investments where the securities were held by the financial institution in the county's name.

Types of Investments	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>
Cash Equivalents	\$	\$	\$ 36,730
Bonds			132,842
Mutual Funds-			
Fixed			1,489,006
Mutual Funds-			
Equity			404,292
Common Stock			1,582,531
Totals	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,645,401</u></u>

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt

Bonds outstanding for the Hardin County Building Commission Fund are:

A. Revenue Bonds Series 1994 - Hardin County Building Commission

The Hardin County Building Commission issued revenue bonds (Series 1994), dated December 1, 1994, in the amount of \$7,490,000. The proceeds of the bonds were used in the construction of the Hardin County Detention Facility. The final maturity date is December 1, 2014. The outstanding principal at June 30, 2000 is \$6,365,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
12/01/2000	\$ 197,759	\$ 265,000
06/01/2001	189,544	
12/01/2001	189,544	285,000
06/01/2002	180,709	
12/01/2002	180,709	300,000
06/01/2003	171,409	
12/01/2003	171,409	320,000
06/01/2004	161,489	
12/01/2004	161,489	340,000
Thereafter	1,813,775	4,855,000
Totals	<u>\$ 3,417,836</u>	<u>\$ 6,365,000</u>

B. Revenue Bonds Series 1995 - Hardin County Building Commission

The Hardin County Building Commission issued revenue bonds (Series 1995), dated December 1, 1995, in the amount of \$1,730,000. The proceeds of the bonds were used in the construction of the Hardin County Detention Facility. The final maturity date is December 1, 2015. The outstanding principal at June 30, 2000 is \$1,500,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
12/01/2000	\$ 37,678	\$ 65,000
06/01/2001	36,313	
12/01/2001	36,313	65,000
06/01/2002	34,915	
12/01/2002	34,915	70,000
06/01/2003	33,375	
12/01/2003	33,375	75,000
06/01/2004	31,688	
12/01/2004	31,688	75,000
Thereafter	399,349	1,150,000
Totals	<u>\$ 709,609</u>	<u>\$ 1,500,000</u>

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt (Continued)

C. Revenue Bond Series 1999- Hardin County Building Commission

The Hardin County Building Commission issued revenue bonds (Series 1999), dated June 1, 1999, in the amount of \$15,400,000. The proceeds of the bonds are for the purpose of paying the costs associated with the additions, extensions, and improvements to the Hardin County solid waste facility and for the purpose of financing the costs of the refunding of the outstanding Hardin County Building Commission Revenue Bond Anticipation Notes, series 1996, dated July 1, 1996 which was done. The final maturity date is June 1, 2019. The outstanding principal at June 30, 2000 is \$14,895,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
12/01/2000	\$ 348,063	\$
06/01/2001	348,063	505,000
12/01/2001	338,313	
06/01/2002	338,313	620,000
12/01/2002	327,648	
06/01/2003	327,648	540,000
12/01/2003	316,448	
06/01/2004	316,448	560,000
12/01/2004	304,748	
Thereafter	<u>5,300,421</u>	<u>12,670,000</u>
Totals	<u>\$ 8,266,113</u>	<u>\$ 14,895,000</u>

Note 5. Capital Lease

A. Domestic Violence Center

Hardin County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on June 1, 1995. The capital lease principal of \$165,000 was to be used for the renovation of a building to be used as a Domestic Violence Center. The lease term specifies 240 monthly interest payments of 3.75 percent (excluding any rebates by the Trust) and annual principal payments. The schedule of yearly principal payments is as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
Fiscal Year 2001	\$ 8,407	\$ 6,000
Fiscal Year 2002	8,009	7,000
Fiscal Year 2003	7,575	7,000
Fiscal Year 2004	7,140	7,000
Fiscal Year 2005	6,680	8,000
Thereafter	<u>35,185</u>	<u>103,000</u>
Totals	<u>\$ 72,996</u>	<u>\$ 138,000</u>

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Capital Lease (Continued)

B. Fire Trucks

Hardin County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) on September 23, 1998 for the purchase of five fire trucks. The principal was \$660,870 at 3.75 percent for a period of 60 months; principal and interest are paid annually. Lease payments excluding an anticipated interest rebate from KACoLT is:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
Fiscal Year 2001	\$ 14,353	\$ 130,558
Fiscal Year 2002	9,401	136,175
Fiscal Year 2003	4,236	142,034
Fiscal Year 2004	226	36,453
Totals	<u>\$ 28,216</u>	<u>\$ 445,220</u>

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Grader Loader	3/13/1997	4/1/2002	4.25%	\$ 67,561
911 Equipment	8/13/1999	8/20/2004	3.50%	\$ 194,020

Note 7. Nonexpendable Trust Funds

Hardin County has the following nonexpendable trust funds:

A. Fife Fund

The Fife Fund was established by the will and codicils of H. B. Fife in 1955. The will imposed that the fund be held in perpetuity. This means the original \$270,000 principal should remain intact. The will created a trust for the following public purposes:

- 1) to aid in the construction and/or maintenance of the public county roads and bridges of Hardin County;
- 2) to aid in the construction and/or maintenance of a public airport;
- 3) to aid in the construction of a new courthouse or jail.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Nonexpendable Trust Funds (Continued)

A. Fife Fund (Continued)

The trustee that administers the Fife Trust is a committee consisting of the following with each having one vote: Hardin County Judge Executive, Hardin County Treasurer, and the Hardin County Fiscal Court. The majority of the committee has the full authority and discretion to decide how the income of the trust is to be spent. The will contained no language, which would limit the discretion of this committee in the expenditure of the Fife Trust income. The only limitation on the committee's discretion is that which the law imposes on all trustees in that their decisions must not be arbitrary. The committee must give due consideration for requests for expenditures in each of the categories but it remains within the committee's sound discretion as to how the income of the trust is ultimately expended.

The unrestricted balance for the Fife Fund is \$2,419,689.

B. Pauline Walker and Powell Duff Fund

The Pauline Walker and Powell Duff Fund was established by the will of Powell Duff in 1991. According to the will, this bequest "is given in memory of one who fought and wrought to improve the quality of life in southern Hardin County after she moved to Sonora in 1934." The trustee is the Hardin County Fiscal Court. The will imposed that the fund be held in perpetuity. This means the original \$459,526 principal should remain intact and the income may be spent annually as Fiscal Court sees fit.

The unrestricted balance for the Pauline Walker and Powell Duff Fund is \$417,474.

C. Pauline Walker and Powell Duff Trust

The Pauline Walker and Powell Duff Trust was created in 1986 for the benefit of the Hardin County Public Library, subject to the uses and purposes as follows:

- 1) The corpus (principal) of the trust is the sum of \$75,000.
- 2) The trustees of the trust are the County Judge/Executive, Library Board Chairperson, and the County Treasurer.
- 3) The trustees are directed to invest the corpus in safe investments producing a reasonable rate of interest income. The trustees are further directed that all income produced shall be used solely for the purchase of books for the Hardin County Public Library. At no time shall the trustees invade the corpus for any reason whatsoever.
- 4) The trustees, in the performance of their duties under this trust instrument, shall be bound by the appropriate statutory provisions of the Kentucky Revised Statutes, as well as the common law, and shall adhere to all standards and requirements set forth hereunder.

The unrestricted balance for the Pauline Walker and Powell Duff Trust is \$3,712.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 8. Self-Insurance Fund

The Hardin County Employees Benefits Trust Fund provides health insurance coverage to county employees. The county transfers from each applicable fund the amount for a single plan for each employee who elects to receive insurance from the county. Employees who participated in a single plan had to pay \$15 per month for insurance. Any employee who selected a plan that is not a single plan had the additional premium amount deducted from his paycheck, and the county paid for the single coverage premium. The fiscal court determines the cost of the insurance premiums. These premiums are based on recommendations submitted to them by the third party administrator.

Tim Davis and Associates, Inc. acted as administrator for this plan for Hardin County. The administrator holds the Insurance Fund checkbook and writes the checks to the service providers. The administrator sends a claim list to the county for reimbursement from the Employees Benefit Trust Fund held by the County Treasurer. Hardin County also pays Tim Davis and Associates, Inc. a monthly administrative fee as well as premiums for reinsurance to cover any amount over its maximum exposure. Maximum exposure is an actuarially calculated value whereby the insured group (Hardin County Fiscal Court) would be subject to reimbursement under the aggregate portion of the county's reinsurance policy. When claims for an insured exceed \$15,000 during a plan year the claims and supporting documentation are sent to the reinsurance for review and reimbursement purposes. Under the county's specific reinsurance coverage the reinsurer will reimburse the county for the amounts exceeding \$15,000 per insured.

Hardin County Fiscal Court had a 14-month plan year from May 1, 1999 through June 30, 2000. Claims paid during that period were \$557,386. Of these claims, \$124,875 was reimbursed under the Fiscal Court's specific reinsurance policy, resulting in net claims paid by the County of \$432,511. In the same 14-month plan year, the Fiscal Court's maximum exposure was \$436,264. As the net claims were less than the maximum exposure, the County was entitled to no reimbursements from the reinsurer under the aggregate coverage of their reinsurance policy.

Note 9. Insurance

For the fiscal year ended June 30, 2000, Hardin County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill

State and federal laws and regulations require the Hardin County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste.

An estimated \$5,696,976 is reported as landfill closure cost and \$1,121,527 is reported as postclosure care liability at November 11, 1995. Less than 1% of the landfill airspace capacity has been used as of June 1, 2000. The projected date of closure is in the year 2028. No cost related to closure or postclosure care has been incurred to date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 11. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Hardin County Jail Canteen Fund had income of \$296,316 and expended \$262,136. The Jail Canteen reported June 30 ending balances of \$208,249 and of \$242,429 for 1999 and 2000 respectively.

Note 12. Utilities Fund

The Hardin County Treasurer receives school tax collected on the bills of one utility company. These monies are put into a special account, Hardin County Utilities Fund, and paid to the respective school districts. These monies are not part of the county's funds, but are distributed by the Treasurer as a courtesy to this utility. The County Treasurer receives a small monthly salary for performing this bookkeeping service. The balance as of June 30, 2000 was \$4,443.

Note 13. Non-Federal Grants

Hardin County Fiscal Court entered into an agreement with the state Department of Juvenile Justice to provide prevention programs for the Hardin County area youth. The grant funds were to be used to hire a juvenile at-risk coordinator and to provide prevention services. The county received \$197,700 in grant funds for the fiscal year, and expended the total grant during the year.

Note 14. Subsequent Events

A. Prior Year Audit

In the prior year audit, Hardin County Fiscal Court financial statement assets and liabilities were understated. The understatement of assets consisted of \$10 million in bond issuance proceeds received by the Hardin County Building Commission and \$3,559,155 in nonexpendable trust assets. The total 1999 bond issuance in the amount of \$15.4 million was omitted from the prior year liabilities. The beginning balances are restated to reflect the correct amounts.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 14. Subsequent Events (Continued)

B. Market Value of Investments

There has been a \$423,187 decline in market value from June 30, 2000 to March 31, 2001 in Hardin County's nonexpendable trust funds. The following table presents market values at July 1, 1999, June 30, 2000 and March 31, 2001.

	Total	Fife Fund	Pauline Walker and Powell Duff Fund	Pauline Walker and Powell Duff Trust
Corpus (Principal) Value	\$ 804,526	\$ 270,000	\$ 459,526	\$ 75,000
7/1/1999 Market Value	3,559,155	2,641,464	833,446	84,245
6/30/2000 Market Value	3,645,401	2,689,689	877,000	78,712
March 31, 2001 Market Value	3,222,214	2,327,890	806,452	87,872
(Decline) Gain in Market Value from June 30, 2000 to March 31, 2001	\$ (423,187)	\$ (361,799)	\$ (70,548)	\$ 9,160

C. Lease Agreement

Hardin County Fiscal Court entered into a \$4.8 million lease on June 1, 2001 with Kentucky Association of Counties Leasing Trust. The lease is for improvements to the solid waste landfill and a new building for the Hardin County Public Library.

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COMBINING BALANCE SHEET-
ALL NONEXPENDABLE TRUST FUNDS

HARDIN COUNTY
COMBINING BALANCE SHEET-
ALL NONEXPENDABLE TRUST FUNDS

June 30, 2000

	Totals (Memorandum Only)	Fife Fund	Pauline Walker and Powell Duff Fund	Pauline Walker and Powell Duff Trust
Assets:				
Cash Equivalents	\$ 36,730	\$ 33,366	\$ 348	\$ 3,016
Bonds	132,842	57,146		75,696
Mutual Funds-Fixed	1,489,006	1,016,646	472,360	
Mutual Funds-Equity	404,292		404,292	
Common Stock	1,582,531	1,582,531		
Total Assets	<u>\$ 3,645,401</u>	<u>\$ 2,689,689</u>	<u>\$ 877,000</u>	<u>\$ 78,712</u>
Retained Earnings:				
Restricted	\$ 804,526	\$ 270,000	\$ 459,526	\$ 75,000
Unrestricted	2,840,875	2,419,689	417,474	3,712
Total Retained Earnings	<u>\$ 3,645,401</u>	<u>\$ 2,689,689</u>	<u>\$ 877,000</u>	<u>\$ 78,712</u>

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COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS -
ALL NONEXPENDABLE TRUST FUNDS

HARDIN COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS -
ALL NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	Fife Fund	Pauline Walker and Powell Duff Fund	Pauline Walker and Powell Duff Trust
Operating Revenues:				
Dividends	\$ 129,232	\$ 49,221	\$ 79,824	\$ 187
Interest	56,583	50,868		5,715
Total Operating Revenues	\$ 185,815	\$ 100,089	\$ 79,824	\$ 5,902
Operating Expenses:				
Commissions and Fees	\$ 7,988	\$ 4,648	\$ 3,340	\$
Tax	107	107		
Tax Preparation	425		425	
Accrued Interest Paid	4,614	4,614		
Total Operating Expenses	\$ 13,134	\$ 9,369	\$ 3,765	\$
Income Before Nonoperating Revenues (Expenses)	\$ 172,681	\$ 90,720	\$ 76,059	\$ 5,902
Nonoperating Revenues (Expenses):				
Transfer to Fiscal Court	\$ (115,596)	\$ (90,720)	\$ (24,876)	\$
Transfer to Library	(5,496)			(5,496)
Unrealized (Loss) on Investments	(323,858)	(243,383)	(80,475)	
Gain (Loss) on Sale of Investments	358,515	291,608	72,846	(5,939)
Total Nonoperating Revenues (Expenses)	\$ (86,435)	\$ (42,495)	\$ (32,505)	\$ (11,435)
Net Income	\$ 86,246	\$ 48,225	\$ 43,554	\$ (5,533)
Retained Earnings - July 1, 1999	3,559,155	2,641,464	833,446	84,245
Retained Earnings - June 30, 2000	\$ 3,645,401	\$ 2,689,689	\$ 877,000	\$ 78,712

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COMBINING STATEMENT OF CASH FLOWS -
ALL NONEXPENDABLE TRUST FUNDS

HARDIN COUNTY
COMBINING STATEMENT OF CASH FLOWS -
ALL NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	Fife Fund	Pauline Walker and Powell Duff Fund	Pauline Walker and Powell Duff Trust
Cash Flows From Operating Activities:				
Commissions and Fees	\$ (7,988)	\$ (4,648)	\$ (3,340)	\$
Tax Preparation	(425)		(425)	
Interest	56,583	50,868		5,715
Dividends	129,232	49,221	79,824	187
Tax	(107)	(107)		
Accrued Interest Paid	(4,614)	(4,614)		
Net Cash Provided by Operating Activities	172,681	90,720	76,059	5,902
Cash Flows From Noncapital Financing Activities:				
Operating Transfers-out to General Fund	(115,596)	(90,720)	(24,876)	
Operating Transfers-out to Library Fund	(5,496)			(5,496)
Net Cash (Used) by Noncapital Financing Activities	(121,092)	(90,720)	(24,876)	(5,496)
Cash Flows From Investing Activities:				
Proceeds From Sale of Investments	2,301,022	2,109,078	191,944	
Cost of Assets Purchased	(2,398,852)	(2,155,990)	(242,862)	
Net Cash (Used) by Investing Activities	(97,830)	(46,912)	(50,918)	
Net Cash Increase (Decrease)	(46,241)	(46,912)	265	406
Cash and Cash Equivalents - July 1, 1999	82,971	80,278	83	2,610
Cash and Cash Equivalents - June 30, 2000	\$ 36,730	\$ 33,366	\$ 348	\$ 3,016
Reconciliation of Net Income to Net Cash Provided by Operating Activities				
Net Income	\$ 86,246	\$ 48,225	\$ 43,554	\$ (5,533)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Gain on Sale of Investments	(358,515)	(291,608)	(72,846)	5,939
Unrealized Loss on Investments	323,858	243,383	80,475	
Transfer to Fiscal Court	115,596	90,720	24,876	
Transfer to Library	5,496			5,496
Total Adjustments	86,435	42,495	32,505	11,435
Net Cash Provided by Operating Activities	\$ 172,681	\$ 90,720	\$ 76,059	\$ 5,902

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HARDIN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 7,355,109	\$ 9,173,030	\$ 1,817,921
Road and Bridge Fund	1,279,000	1,679,012	400,012
Jail Fund	2,994,808	2,911,547	(83,261)
Local Government Economic Assistance Fund	60,000	82,365	22,365
Emergency Sheleter Fund	14,779	13,363	(1,416)
Totals	<u>\$ 11,703,696</u>	<u>\$ 13,859,317</u>	<u>\$ 2,155,621</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 11,703,696
Add: Budgeted Prior Year Surplus			4,229,898
Less: Other Financing Uses			<u>(799,690)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 15,133,904</u>

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SCHEDULE OF OPERATING REVENUE

HARDIN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	General Fund Type
<hr/>		
REVENUE:		
Taxes	\$ 4,085,257	\$ 4,085,257
Excess Fees	632,736	632,736
License and Permits	147,397	147,397
Intergovernmental Revenues	4,681,536	4,681,536
Charges for Services	3,315,117	3,315,117
Miscellaneous Revenues	734,095	734,095
Interest Earned	263,179	263,179
	<hr/>	<hr/>
Total Operating Revenue	<u>\$ 13,859,317</u>	<u>\$ 13,859,317</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HARDIN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,160,485	\$ 1,541,696	\$ 618,789
Protection to Persons and Property	4,779,770	4,757,900	21,870
General Health and Sanitation	474,735	495,604	(20,869)
Social Services	326,620	369,716	(43,096)
Recreation and Culture	655,000	153,203	501,797
Roads	2,161,940	1,982,651	179,289
Debt Service	8,779	13,363	(4,584)
Administration	3,004,575	2,117,568	887,007
Total Operating Budget - All General Fund Types	\$ 13,571,904	\$ 11,431,701	\$ 2,140,203
Other Financing Uses:			
Transfers:			
Hardin County Building Commission	1,562,000	1,492,987	69,013
Planning and Zoning Commission	110,000	110,000	
Library	377,690	377,690	
Borrowed Money Repaid	180,000	176,482	3,518
Capital Lease Obligations			
Principal	132,000	131,171	829
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 15,933,594</u>	<u>\$ 13,720,031</u>	<u>\$ 2,213,563</u>

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SCHEDULE OF LIBRARY FUND EXPENDITURES

HARDIN COUNTY
SCHEDULE OF LIBRARY FUND EXPENDITURES

Fiscal Year Ended June 30, 2000

Salaries	\$ 261,385
Retirement	15,753
Employee Health Insurance	19,055
Unemployment	317
Payroll Tax Expense	18,348
Building Maintenance	890
Utilities	13,660
Telephone	10,698
Insurance	3,912
Janitorial Supplies and Services	9,062
Bookmobile	2,761
Books and Materials	88,061
Periodicals	6,446
Software	7,675
Processing Supplies	1,746
Supplies	6,138
Postage	3,017
Equipment Maintenance	12,987
Program Supplies	3,172
Mileage	212
Advertising	427
Staff Education	1,833
Equipment and Furniture	577
Miscellaneous	1,660
Uncollectible Returned Check	<u>75</u>
Total Library Expenditures	<u>\$ 489,867</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Glen D. Dalton, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Hardin County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated August 15, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Hardin County Fiscal Court Prior Year Audit Was Materially Misstated
- The Hardin County Fiscal Court Should Provide Additional Oversight Over Their Trusts
- The Hardin County Building Commission Should Have Financial Statements In Addition To Bank Records
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 15, 2001

COMMENTS AND RECOMMENDATIONS

HARDIN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

1. The Hardin County Fiscal Court Prior Year Audit Was Materially Misstated

In the prior year audit, Hardin County Fiscal Court's financial statement assets and liabilities were understated. The understatement of assets consisted of \$10 million in bond issuance proceeds received by the Hardin County Building Commission and \$3,559,155 in nonexpendable trust assets. The total 1999 bond issuance in the amount of \$15.4 million was omitted from the prior year liabilities. The beginning balances are restated to reflect the correct amounts. We recommend the Hardin County Fiscal Court have the prior year auditor restate the financial statements, issue a new audit report and notify any known users of the understatement in this report.

County Judge/Executive Glen D. Dalton's Response:

We understand that the auditor for fiscal year 1998-99 understated assets and liabilities by failing to include revenue from the 1999 Revenue Bond Issue and non-expendable trust assets. Although the records of the Hardin County Fiscal Court reflect authorization for these transactions and bank records reflect such authorized transactions, the prior year auditor failed to include same in the audit report and year-end financial statements. A possible explanation for the omission of these transactions by the prior year auditor could be that the 1999 Revenue Bond Issue was not completed until June 24, 1999, six days prior to end of the fiscal year and the documentation reflecting such bond issue was not received by the Hardin County Treasurer until after June 30, 1999, the close of the prior fiscal year.

The prior year auditor has indicated that a new audit report and restated financial statements will be issued for the fiscal year 1998-99 to properly reflect these transactions and the corrected audit report will be forwarded to all known users of the 1998-99-audit report.

2. The Hardin County Fiscal Court Should Provide Additional Oversight Over Their Trusts

Hardin County Fiscal Court is the beneficiary of two (2) trust funds: the Fife Fund and the Pauline Walker and Powell Duff Fund. From June 30, 2000 to March 31, 2001, there has been a \$361,799 decline in market value in the Fife Fund and a \$70,548 decline in the Pauline Walker and Powell Duff Fund.

We recommend that a qualified professional review the quarterly statements provided by the investment managers and submit written reports to the committees within a reasonable period of time. The report should give an analysis of each account such as: realized gains and losses, decline in market value, and an overall opinion on the management of the trust. We also recommend financial statements be prepared in accordance with generally accepted accounting principles.

HARDIN COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 2000
 (Continued)

NONCOMPLIANCES (Continued)

2. The Hardin County Fiscal Court Should Provide Additional Oversight Over Their Trusts
 (Continued)

County Judge/Executive Glen D. Dalton's Response:

Both the Fife fund and the Pauline Walker and Powell Duff fund have contracted professional investment managers with PNC Advisors. The investment management of the Fife fund with PNC has been since the inception of the trust in 1955 with an original principal value of \$270,000.00 and a March 31, 2001 market value of \$2,327,890.00. The Pauline Walker and Powell Duff fund has been managed by PNC since its inception in 1986 with an original principal value of \$459,526.00 and a March 31, 2001 market value of \$806,452.00. Both trust funds provide annual contributions to the Hardin County Treasury for the benefit of Hardin County citizens in addition to the retained earnings and growth of the trust. Further information for both Trust Funds is provided in a letter from PNC Advisors dated August 23, 2001, which is attached hereto and incorporated herein by reference. [sic See Appendix D] Since your audit report does not express opinion as to PNC's investment management of the trust in light of market conditions that existed during the period from June 30, 2000 to March 31, 2001, a qualified professional will be retained by Hardin County to review the quarterly statements provided by PNC investment managers and to express an overall opinion on PNC's management of these trust funds.

3. The Hardin County Building Commission Should Have Financial Statements In Addition To Bank Records

During the fiscal year, financial statements were not completed for the Hardin County Building Commission. According to KRS 68.210, the state local finance officer has set minimum accounting and reporting standards for all local government officials. In accordance with this statute, the state local finance officer has set the uniform system of accounts for all Kentucky counties. We recommend that the county require the Hardin County Building Commission to meet the accounting and reporting standards provided in this statute.

County Judge/Executive Glen D. Dalton's Response:

The Kentucky Constitution was amended several years ago, which allows for local governments in Kentucky to incur long-term debt by general obligation bonds; therefore, the Hardin County Building Commission has not been actively used as a long term funding mechanism for several years. Since the Hardin County Building Commission was created by state statute and only undertakes those long term financing projects as authorized and approved by the Hardin County Fiscal Court, its future activity will in all likelihood be limited to the completion of the current bond projects which were issued in its name and will not likely be used for future long term debt. Thus, we agree that the County Treasurer should assume the duties as Treasurer of the Hardin County Building Commission so that those financial records can be maintained by the County Treasurer in one location and thereby simplify future accounting and auditing processes.

HARDIN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2000
(Continued)

NONCOMPLIANCES (Continued)

4. The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 1999, \$627,471 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Glen D. Dalton's Response:

Since both the Hardin County Treasurer and the depository bank have changed from Fiscal Year 1998-99, it is difficult to reconstruct why one day out of 365 days of the fiscal year that there were insufficient pledges or collateral to secure Hardin County's deposits. We assume that the unsecured status occurring on August 31, 1999, was due to an unusually large deposit of money made on August 30, 1999 and it took the depository bank a day to provide sufficient pledges or collateral together with the FDIC insurance to equal or exceed the amount of Hardin County funds on deposit.

The current practice between the Hardin County Treasurer and Hardin County's depository bank provides for the depository bank to communicate daily pledges of collateral to the Treasurer to cover all Hardin County's funds in excess of the FDIC insurance. The Hardin County Treasurer communicates with the depository bank on any day that a larger than customary deposit is to be made so that excess pledges or collateral can be forwarded by the depository bank on the same day that large funds are deposited.

PRIOR YEAR FINDINGS:

There were no prior year comments or recommendations.

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CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

HARDIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

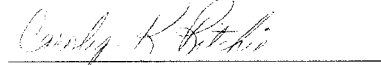
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
HARDIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Hardin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Glen D. Dalton
County Judge/Executive



Carolyn K. Ritchie
County Treasurer

AUDIT OF HARDIN COUNTY PLANNING AND DEVELOPMENT COMMISSION

Due to file size constraints this exhibit is located in a separate document. To go to the exhibit, click on the name above.

AUDIT OF HARDIN MEMORIAL HOSPITAL

Due to file size constraints, this exhibit is located in a separate document. To go to the exhibit, click on the name above.

PNC BANK – LETTER REGARDING TRUST INVESTMENTS

Due to file size constraints, the exhibit is located in a separate document. To go to the exhibit, click on the name above.